The Colonial Motor Company Limited

Key Product and Financial Information

Offer of unsecured call deposits

22 September 2017

This document gives you important information about this investment to help you decide whether you want to invest.

There is other useful information about this offer on www.business.govt.nz/disclose.

The Colonial Motor Company Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

You can also seek advice from a financial adviser to help you make an investment decision.

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This document is incorporated by reference into the Product Disclosure Statement (PDS) dated 13 September 2016 and should be read in conjunction with the PDS.

RANKING DIAGRAM

If CMC were to go into liquidation, your Deposits would rank as shown in this table and is based on $18.0 million of Deposits on issue at 30 June 2017.

	Ranking on liquidation of CMC Group	Examples	Indicative amount at 30 June 2017 $'000
Higher ranking / earlier priority			
	Liabilities that rank in priority to Deposits	Preferred by law Liquidation costs Employee remuneration Tax	11,787
		Secured liabilities permitted under the trust deed* Secured amounts payable to suppliers and others	1,346
	Liabilities that rank equally with Deposits	Deposits	18,017
		Bank borrowings All other ordinary unsecured liabilities	102,857
	Liabilities that rank below Deposits	Lower-ranking unsecured creditors	-
	Total liabilities		134,007
	Equity	Distribution of surplus assets	182,885
Lower ranking / later priority			

*Further liabilities that rank equally with or in priority to Deposits on liquidation of the CMC Group can arise during the normal course of business. However the trust deed imposes a maximum limit to the value of permitted secured liabilities which is calculated as 20% of total tangible assets.

Secured amounts include the value of some ordinary shares in Motor Trade Finance Limited held by several CMC Group companies as a requirement to being originators of customer finance arrangements to provide security over amounts potentially payable under customer finance contracts.

Indicative amounts are given in respect of the CMC Group.

SELECTED FINANCIAL INFORMATION AND RATIOS

This table provides selected financial information about the CMC Group and full financial statements are available on the offer register at www.business.govt.nz/disclose. CMC's financial performance and position is critical to CMC's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, you can seek professional advice.

Selected financial information and ratios

The following data has been extracted from the CMC Group's annual financial statements that have been prepared in accordance with GAAP. The source financial statements were audited by qualified independent auditors, included in CMC's annual report and reported publicly through the Companies Office and NZX.

For the years ended 30 June	2015 *$'000*	2016 *$'000*	2017 *$'000*
Revenue	789,377	867,237	854,764
Net profit after tax plus interest, tax, depreciation and amortisation (EBITDA)	34,882	39,312	40,086
Interest expense	5,356	4,260	3,852
Net profit after tax	18,705	22,585	23,535
Net cash flows from operating activities	(2,364)	38,242	15,827
At 30 June	2015 *$'000*	2016 *$'000*	2017 *$'000*
Cash & cash equivalents	5,781	15,402	8,060
Total assets	326,378	300,918	316,892
Total tangible assets	324,700	299,340	315,865
Total debt	102,672	77,473	80,526
Total liabilities	173,802	135,112	134,007
Equity	152,576	165,806	182,885
Total net tangible assets	150,898	164,228	181,857
Ratios	2015	2016	2017
Debt/EBITDA	2.78	1.96	2.01
Debt/EBITDA is an indicator of the degree to which an entity has borrowed against earnings. The higher the number, the greater the risk that the entity will not be able to pay off its debts.			
EBITDA/interest expense	6.51	9.23	10.41
EBITDA/interest expense is a measure of the ability of an entity to pay interest on borrowings. The lower the number, the greater the risk that the entity will not be able to pay interest.			

Although not all CMC Group companies are guarantors, the financial information for CMC and the guaranteeing subsidiaries listed in section 3 of the Product Disclosure Statement would not be materially different from the above.

Change in accounting policy

The comparative figures for the year to 30 June 2015 above have been restated from those included in the original financial statements in recognition of the following change in accounting policy.

For new vehicles that are funded by bailment arrangements ownership of the vehicles rests with the finance companies until immediately before sale. Previously, bailment arrangements were 'off balance sheet' on the basis of the legal situation. The vehicles owned by the finance companies were not included in the Group's inventory and no liability was shown to the finance companies. The value of the vehicles was disclosed in the notes to the financial statements.

In the year to 30 June 2016 the accounting policy was changed to align with overseas industry practice by recognising the commercial substance of bailment arrangements so that, at balance date, new vehicles subject to bailment arrangements were included in inventory and a liability to the same value was recognised under vehicle floorplan finance. The change affected only balances in the statement of financial position and had no impact on either profit or loss or cash flows in any period.

CMC's financial information

CMC's financial performance and position is critical to CMC's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, you can seek professional advice.

Audited annual financial statements are included in CMC's annual reports which may be downloaded from its website www.colmotor.co.nz.

Financial covenants

The trust deed requires CMC to comply with the following financial covenants.

- current assets must be equal to or greater than current liabilities;
- shareholders' funds minus total intangible assets must exceed the greater of $50 million or 3 times deposits;
- total liabilities must not exceed 2 times shareholders' funds;
- total secured liabilities (excluding the security given pursuant to the negative pledge) do not exceed 20% of total tangible assets.

Negative pledge

Each member of the Borrowing Group undertakes that it will not create, assume, or allow to exist any Security over any of its present or future revenues, property, assets, uncalled capital or undertaking nor incur liabilities secured by any Security except

- any Security specified in writing by the Supervisor to any member of the Borrowing Group as an exempt Security and
- the Security given pursuant to any of the Negative Pledge Agreements with CMC's banks.